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Poland

Oilseeds and Products

Poland Approves Bio-Fuel Law 2003

Approved by:

Wayne Molstad, Agricultural Counselor
U.S. Embassy

Prepared by:

W. Makowski, Charles Rush and W. Molstad

Report Highlights:

On November 17 the President of Poland signed a much amended final version of the bio-fuel bill which was first previously passed by Poland's parliament (Sejm) in December 2002. This updated report highlights the current status of Poland's bio-fuel legislation, and its potential impact on future rapeseed and grain production in Poland. The proposed minimum quantities for CY 2004 are far below controversially higher levels (4.5-5.0 percent) in earlier versions of the legislation.

Includes PSD Changes: No
Includes Trade Matrix: No
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[PL]

The previous version of the bio-fuel legislation approved by the Sejm in December 2002 would have required significant bio-component levels in fuel of 4.5 – 5.0 percent. Only Polish rapeseed and agricultural crops would have been permitted for use as raw materials. However, this was likely in violation of EU bio-fuel procedures/regulations as well as WTO Article 3.

Poland's new law regulating domestic use and production of bio-fuel will become effective January 2004. The new legislation requires that until May 2004 only Polish rapeseed and/or agricultural crops may be used as raw materials in this production. That limitation will not exist beginning May 1, 2004 when Poland officially joins the European Union.

This new law may lead to higher production of rapeseed, grains, potatoes and sugar beets, which will be processed into engine oil esters or bio-ethanol (see PL2040 dated 12/24/2002). Although the controversial previous version did not permit use of imported raw materials, the new law may still favor domestic farmers. Companies processing products for bio-fuel must be licensed as well as have long-term contracts (5 years) for raw material supplies.

Although the law will not have an impact on the previous year's crop, it could stimulate production in future years. In 2004 bio-fuel processing will be limited. Planting decisions were made by farmers prior to the approval of the final version of the law. Also, 2003 fall planted rapeseed acreage is estimated to equal the previous year's level, which will not result in an increase in rapeseed production above the usual level demanded by the food industry.

In accordance with the new law, the Government of Poland (GOP) will annually announce in October minimum levels of bio-components that should be used in gasoline and diesel oil. The previous version of the law required a minimum use of 4.5% and 5.0% of bio-components in fuel. For CY 2004 the minimum volume is 0.212 percent for esters in diesel oil while for bio-ethanol in gasoline is 1.602 percent for January-September 2004 and 2.403 percent for October-December 2004. The GOP set bio-fuel use at very low levels for CY '04 because of the shortage of basic crops for food and feed use produced in 2003. Low production was a result of winterkill 02/03 and summer 2003 drought.

The law requires that if fuel bio-components exceed 5 percent, fuel pumps must be labeled. Since the law does not require such labeling under 5 percent, in early December the Parliament appointed human rights ombudsman asserted that the law limits consumer choice, so he is challenging the bio-fuel law in Poland's Constitutional Court.

Some of the staunchest backers of the bio-fuel legislation are politicians from rural areas where an increase in demand for crop production represents an increase in income for farmers. The Bio-Fuel Producers Association complains that the GOP use levels for 2004 are too high because current processing capacity is limited. Based on all available information it does not appear that the current law will lead to an increase in rapeseed or other crop production in CY 2004. Nevertheless, the law gives investors assurances which could stimulate greater bio-fuel processing facility investments.

Future bio-fuel use levels may well increase stimulating higher crop production. Please see GAIN PL2040 for further crop production possibilities resulting from bio-fuel use. Of course, this new legislation and future production levels will be heavily influenced by any future CAP changes or EU biofuel legislative requirements as Poland soon becomes an EU member state.